

LETTER

FROM

THE SECRETARY OF THE TREASURY,

TRANSMITTING

The views of the director of the mint in relation to a law permitting the mint and its branches to exchange unparted bars for refined bullion.

JANUARY 22, 1869.—Referred to the Committee on Appropriations, to accompany bill S. 824, and ordered to be printed.

(Copy.)

JANUARY 19, 1869.

The views presented by the director of the mint relative to receiving deposits of refined bullion suitable for coinage and paying the depositors thereof in unparted bars, meet my approval, and I have no doubt if the proposed bill shall become a law, and the discretion in this particular left to the officers of the mint, subject to the approval of the Secretary, that the interests of all parties will be protected and a considerable amount saved to the government at present lost from the wastage and expense of refining gold and silver bullion.

I have the honor to be, very respectfully,

(Signed,) H. McCULLOCH,
Secretary of the Treasury.

Hon. SCHUYLER COLFAX,
Speaker of the House of Representatives.

MINT OF THE UNITED STATES,
Philadelphia, January 15, 1869.

SIR: I duly received your favor of the 13th instant, enclosing a draft of a law permissive to the mint and its branches to exchange unparted gold or silver bars for refined gold and silver bullion under certain restrictions, and herewith offer my views of the same. In order to a clearer view of the subject I have prepared the following table of deposits of domestic gold (to be refined) at United States mint and branches from 1804 to 1867.

1804 to 1867, inclusive.

| Dates. | Number of years. | Amount of gold deposited. | |
|------------------------|------------------|---------------------------|-----------------|
| | | Total amounts. | Annual average. |
| 1804 to 1827 | 24 | \$110,000 | \$4,500 |
| 1828 to 1837 | 10 | 5,063,000 | 506,000 |
| 1838 to 1847 | 10 | 7,635,000 | 763,000 |
| 1848 to 1857 | 10 | 415,557,000 | 41,555,000 |
| 1858 to 1867 | 10 | 271,690,000 | 27,690,000 |

An inspection of the table shows that up to the year 1848 the amount of gold requiring parting (refining) was so limited as hardly to tempt private capital to undertake refining as a remunerative operation except at exorbitant rates of charge to compensate for the small extent of the business. Hence arose that provision in the mint law, from its origin, permitting gold to be refined at the mint and its branches at rates not exceeding the bare cost of the operation. With the sudden expansion of gold production, however, in California from 1848, and in Australia from 1851, amounting to an average annual deposit in the United States mint and branches of \$41,555,000 of domestic gold, the necessities of the case started many private refineries into activity. For while the mint deposits reached their summit in 1853 and 1854, amounting to about \$50,000,000 per annum, this amount gradually declined in successive years, so that the last decennary only averaged \$27,690,000 per annum; and yet we know that the total annual production has not diminished. It is therefore reasonable to estimate that about one-half of the amount of the gold production of the United States is refined in private establishments, and as the same are sufficiently numerous, skilful, and responsible for all the refining business that can be demanded, there is no longer a reason for the government being a manufacturer, which it becomes by refining gold.

Moreover, a government establishment necessarily demands a larger official staff, buildings commensurate to the position of the United States as a world's power, and other sources of cost which private refineries can avoid, so that the latter can and do refine at a lower rate of charge than the government. As one great advantage alleged to be inherent in a government refinery is the greater security of the depositor in receiving the full value of his deposit, it is evident that this is fully secured by the government receiving a deposit, determining its value, paying the depositor, and then passing it into the hands of private refineries under conditions sufficient to secure the government from loss. Security is thus attained both by the depositor and the government. In addition to security the treasury becomes indirectly a gainer by avoiding the losses termed wastage, which it is impossible to avoid when gold and silver are subjected to fire and chemicals in the art of refining. The difference between the charge by the mint to depositors for refining and the price paid to refiners for their operations would cover all refining wastage to which the government is now subject, and probably have a surplus to cover other necessary expenditures. As in all other business arrangements, the details of such an arrangement as is proposed should manifestly be left to the discretion of the proper officers, the Secretary of the Treasury and the Director of the mint. Different localities, with their differing circumstances, will probably demand different arrangements. Some localities might not offer private refineries in all respects suited to the purpose, and hence it should not be *obligatory* on the Secretary to execute the proposed plan.

The draught of the proposed law is returned without alteration, as it fully meets all the requirements of the case.

Very respectfully,

H. R. LINDERMAN,
Director.

Hon. HUGH McCULLOCH,
Secretary of the Treasury.